

Message Text

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ACTION EUR-12

INFO OCT-01 EA-10 IO-13 ISO-00 SMS-01 CIAE-00 DODE-00
PM-05 H-01 INR-10 L-03 NSAE-00 NSC-05 PA-01
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TO SECSTATE WASHDC PRIORITY 7918
INFO AMEMBASSY BERLIN
AMEMBASSY BUCHAREST
AMEMBASSY BUDAPEST
AMEMBASSY MOSCOW
AMEMBASSY PRAGUE
AMEMBASSY SOFIA
AMEMBASSY WARSAW
USLO PEKING
AMCONSUL HONG KONG
USMISSION USUN NEW YORK
USMISSION USNATO
USDOCOSOUTH INTAF
USCINCEUR POLAD

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E. O. 11652: N/A
TAGS: PEPR, YO, ECON
SUBJ: TITO'S COMMENTS ON YUGOSLAV FOREIGN AND DOMESTIC POLICY

1. SUMMARY AND COMMENTS: PRESIDENT TITO USED SEPTEMBER 7
MEETING WITH SLOVENIAN PARTY OFFICIALS TO RESPOND TO SOVIET
CRITICISM OF HUA VISIT AND EXPANDED COOPERATION BETWEEN YUGO-
SLAVIA AND PRC. IN WIDE-RANGING COMMENTS, WHICH PRESS RE-
PORTED ONLY ON SEPTEMBER 9, TITO BLUNTLY EXPRESSED HIS GREAT
SURPRISE OVER THE UNFAVORABLE REACTION AND ATTITUDE OF "SOME
CIRCLES" IN THE SOVIET UNION; CHARGED THAT THE SOVIET PRESS
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HAD PRINTED "FABRICATIONS" REGARDING YUGOSLAVIA; DEFENDED CHINA'S
OPENING TO THE WORLD AS A USEFUL AND POSITIVE DEVELOPMENT FOR
CHINA AS WELL AS THE WHOLE WORLD; SAID THAT CHINA WANTS PEACE
SO THAT IT CAN MODERNIZE; ASSERTED THAT WELL-KNOWN NAM
PRINCIPLES MUST NOT BE DISTORTED AND MUST BE THE BASIS FOR ALL
PREPARATIONS FOR NEXT YEAR'S NAM SUMMIT IN HAVANA; AND SAID
THAT YUGOSLAVIA WANTS FRIENDLY, COOPERATIVE RELATIONS WITH ITS

NEIGHNORS IN THE CONTEXT OF ITS POLICY OF COOPERATION AND STRENGTHENED FRIENDSHIP WITH ALL COUNTRIES WHO RESPECT AND ACCEPT THE WELL-KNOWN PRINCIPLES ON WHICH YUGOSLAV FOREIGN POLICY IS BASED.

2. REGARDING ECONOMIC MATTERS, TITO NOTED THE STEADY RISE IN YUGOSLAV LIVING STANDARDS; WARNED THAT PROGRESS SHOULD NOT DIVERT ATTENTION FROM SERIOUS PROBLEMS RETARDING FURTHER GROWTH; AND STRESSED IMPORTANCE OF IMPROVED MANAGEMENT, HIGHER LABOR PRODUCTIVITY, INVESTMENT COORDINATION AND EXPANDED EXPORTS. TITO'S COMMENTS ON THE SOVIET UNION ARE THE BLUNTEST WE HAVE SEEN FOR SOME TIME, REFLECTING BOTH IRRITATION AND CONCERN OVER SOVIET ATTITUDES AND THE COURSE OF YUGOSLAV-SOVIET RELATIONS AT A TIME OF UNCERTAIN AND WEAKENED LEADERSHIP IN MOSCOW. HIS REMARKS ON THE ECONOMY SEEM CALCULATED TO BOLSTER EFFORTS AT LOCAL AND REPUBLICAN LEVELS TO IMPROVE MANAGEMENT AND INVESTMENT PLANNING AND "GET TOUGH" ON QUESTION OF "POLITICAL" INVESTMENTS AND INEFFICIENT ENTERPRISES. END SUMMARY.

3. HIGHLIGHTS OF TITO'S COMMENTS TO SLOVENIAN OFFICIALS ON SEPTEMBER 7 FOLLOW. (WE PRESUME DEPARTMENT HAS FULL TEXT FROM FBIS.)

4. TITO'S VISIT TO CHINA. TITO SAID THAT MAO HAD TOLD FORMER FEC PRESIDENT BIJEDIC IN PEKING THAT HE WOULD WELCOME A VISIT BY TITO. ACCORDING TO HUA, MOA BELIEVED YUGOSLAVIA WAS IN LIMITED OFFICIAL USE

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THE RIGHT IN 1948, SAID SO PRIVATELY AT THE TIME BUT NOT PUBLICLY BECAUSE OF PRC'S RELATIONS WITH THE SOVIET UNION, AND HAD STATED AS MUCH AS FIVE YEARS EARLIER THAT TITO SHOULD BE INVITED TO VISIT CHINA. TITO NOTED THAT BEFORE GOING TO PEKING HE HAD FIRST VISITED MOSCOW AND HAD DETAILED DISCUSSIONS ON YUGOSLAV-SOVIET RELATIONS. THIS VISIT, AS WELL AS THE VISITS TO NORTH KOREA AND CHINA, HAD YIELDED "GOOD RESULTS." "OUR SOVIET COMRADES ACCEPTED US AS WE ARE." YUGOSLAV SIDE CLEARLY RESTATED PRINCIPLES ON WHICH YUGOSLAV-SOVIET RELATIONS SHOULD BE DEVELOPED, TITO CONTINUED, GIVING NEW IMPETUS TO BILATERAL RELATIONS AND ENCOURAGING HIGH DEGREE OF ECONOMIC COOPERATION. BILATERAL TRADE, FOR EXAMPLE, SUBSEQUENTLY REACHED THREE BILLION DOLLARS.

5. TITO RECALLED THAT DURING HIS CHINA VISIT AGREEMENT WAS REACHED TO RENEW GRADUALLY PARTY RELATIONS AND THAT THIS STEP MET WITH BROAD SUPPORT NOT ONLY IN YUGOSLAVIA AND CHINA BUT FROM MANY COMMUNIST AND WORKERS' PARTIES AS WELL. TITO SAID HE EMPHASIZED THAT "IT IS NOT GOOD TO SPEAK ABOUT WAR BEING INEVITABLE." ONE SHOULD NOT PROCEED ON THIS ASSUMPTION BUT MAKE EVERY EFFORT TO PREVENT IT. "ALL COUNTRIES SHOULD WORK TOWARD THIS END. OUR CHINESE COMRADES ALSO SAY THAT THEY NEED

PEACE IN ORDER TO BUILD AND MODERNIZE THEIR COUNTRY, THAT EVERYTHING SHOULD BE DONE TO PREVENT WAR, AND THAT WE SHOULD WORK AS IF WE SHALL HAVE ONE HUNDRED YEARS OF PEACE, AND MAKE PREPARATIONS AS IF WAR WILL COME TOMORROW."

6. HUA'S VISIT TO YUGOSLAVIA. TITO SAID THAT DURING BOTH HIS AND HUA'S VISITS, BOTH SIDES AGREED THAT ADVANCING COOPERATION AND STRENGTHENING FRIENDSHIP MUST NOT BE AT THE EXPENSE OF RELATIONS WITH OTHER COUNTRIES. THIS, SAID TITO, IS A CONSTANT OF YUGOSLAV POLICY. IN THIS REGARD, TITO RECOUNTED HOW, FIVE YEARS AGO IN KIEV, HE HAD TOLD BREZHNEV THAT YUGOSLAVIA WAS WORKING TO IMPROVE RELATIONS WITH CHINA, IN KEEPING WITH YUGOSLAV POLICY OF HAVING THE BEST POSSIBLE RELATIONS WITH ALL COUNTRIES, REGARDLESS OF DIFFERENCES, ON LIMITED OFFICIAL USE

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BASIS OF WELL-KNOWN PRINCIPLES OF INDEPENDENCE, EQUALITY, NON-INTERFERENCE, MUTUAL BENEFIT. "CHINA," HE HAD TOLD BREZHNEV, "IS A GREAT COUNTRY AND IT WOULD BE A MISTAKE NOT TO IMPROVE RELATIONS WITH IT IF THE POSSIBILITIES EXIST. AND WE WERE CONFIDENT THAT THE POSSIBILITIES DID EXIST. ON THAT OCCASION I SAID THAT IN GENERAL THE EFFORT SHOULD SOMEHOW BE MADE TO RESTORE RELATIONS AMONG STATES, AND PARTICULARLY THE SOCIALIST STATES, EVEN WHERE IT SEEMED IMPOSSIBLE."

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7. SOVIET REACTION TO THE HUA VISIT. IN VIEW OF THESE EARLIER EXPLANATIONS TO THE SOVIETS, TITO SAID HE WAS SURPRISED BY THE "UNFAVORABLE REACTION" TO THE HUA VISIT IN THE SOVIET UNION, "WHICH IN ITS PRESS AND CONVERSATIONS IS ATTACKING YUGOSLAVIA AND ROMANIA." TITO FOUND IT ESPECIALLY SURPRISING THAT THE SOVIET MEDIA ACCEPT UNQUESTIONINGLY AND INSIST ON REPEATING WESTERN SPECULATION CALCULATED TO CAUSE A BREACH BETWEEN YUGOSLAVIA AND THE SOVIET UNION; NOTED YUGOSLAV RESTRAINT IN NOT RESPONDING TO CONSTANT ALBANIAN ATTACKS; AND CHARGED THE SOVIET PRESS WITH PRINTING "FABRICATIONS" EVEN THOUGH "THEY KNOW VERY WELL THAT WE HAVE NOT DONE ANYTHING WHICH WAS DIRECTED LIMITED OFFICIAL USE

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AGAINST THE SOVIET UNION OR OTHER COUNTRIES."

8. CONTINUING IN THE SAME VEIN, TITO OBSERVED THAT THERE WERE "CURIOUS CONTRADICTIONS" IN ALL THIS. ON THE ONE HAND, THEY (THE SOVIETS) SAID HE WAS "FAIR" IN HIS TOAST. ON THE OTHER, YUGOSLAVIA IS ATTACKED AS IF IT HAD MADE A GREAT MISTAKE FOR DEVELOPING ITS RELATIONS WITH CHINA, AND THE YUGOSLAV PRESS IS CRITICIZED FOR NOT DISASSOCIATING ITSELF FROM HUA KUO-FENG, WHO ALLEGEDLY ATTACKED THE SOVIET UNION WHILE IN YUGOSLAVIA. TITO REJECTED THIS ALLEGATION AS UNTRUE; ARGUED THAT "HEGEMONISM" EXISTS IN MANY AREAS OF THE WORLD; AND POINTED OUT THAT HUA, IN REFERRING TO "HEGEMONISM," HAD NOT SINGLED ANYONE OUT. IN SUM, "WE ARE GREATLY SURPRISED BY SUCH AN ATTITUDE OF SOME CIRCLES IN THE SOVIET UNION," AND WE CONSIDER CHINA'S NEW "ORIENTATION POSITIVE AND BENEFICIAL, BOTH FOR CHINA AND THE WORLD."

9. YUGOSLAV-CHINESE RELATIONS. TITO NOTED THAT BOTH SIDES FOUND AN IDENTITY OR SIMILARITY OF VIEWS ON MANY KEY ISSUES. ON OTHER QUESTIONS THERE WERE WELL-KNOWN DIFFERENCES. NEVERTHELESS, BOTH HAD CONCLUDED AND DEMONSTRATED THAT RELATIONS COULD BE SUCCESSFULLY DEVELOPED DESPITE SUCH DIFFERENCES STEMMING FROM DIFFERING HISTORIC DEVELOPMENT, INTERNAL CONDITIONS, AND INTERNATIONAL POSITIONS. YUGOSLAVIA COOPERATES WITH MANY OTHER COUNTRIES ON THIS BASIS, AND THIS PRINCIPLE

IS INCORPORATED IN THE POLICY OF NON-ALIGNMENT. THE CHINESE, SAID TITO, WANT TO OPEN THEMSELVES TO THE WORLD, RECOGNIZE THAT THEY ARE A RATHER UNDEVELOPED COUNTRY, AND WANT TO OBTAIN MODERN TECHNOLOGY IN ORDER TO ACCELERATE CHINA'S DEVELOPMENT. THEY ARE INTERESTED IN YUGOSLAVIA'S SELF-MANAGEMENT SYSTEM AND WANT EXPANDED ECONOMIC RELATIONS. YUGOSLAV-CHINESE TRADE, IT WAS AGREED, SHOULD REACH FOUR HUNDRED MILLION DOLLARS BY 1980. YUGOSLAVIA, FOR ITS PART, IS INTERESTED IN THE FULL LIMITED OFFICIAL USE

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DEVELOPMENT OF ECONOMIC COOPERATION WITH OTHER COUNTRIES. "WE DO NOT WANT TO BE DEPENDENT UPON ANYONE, FOR WE HAD A BITTER EXPERIENCE DURING THE TIME OF STALIN, WHO ABROGATED ALL AGREEMENTS OVERNIGHT."

10. NON-ALIGNED MOVEMENT. TITO NOTED YUGOSLAVIA'S HIGH REPUTATION IN THE WORLD, REFLECTED IN THE "GOOD RESULTS" OF THE RECENT BELGRADE NAM MINISTERIAL AND THE FAVORABLE REACTION TO HIS ADDRESS TO THE CONFERENCE. HE WARNED OF DANGERS OF ALLOWING NAM TO BE SPLIT UP; ASSERTED THAT NAM, FOR ALL ITS SHORTCOMINGS, PLAYS A BIG ROLE IN THE WORLD; STRESSED THAT NAM PRINCIPLES MUST NOT BE DISTORTED AND MUST PROVIDE THE BASIS FOR ALL PREPARATIONS FOR THE NAM SUMMIT IN HAVANA; EXPRESSED CONCERN OVER CONFLICTS BETWEEN NAM MEMBERS; AND WELCOMED PEACEFUL RESOLUTION OF DISPUTES.

11. YUGOSLAVIA'S RELATIONS WITH ITS NEIGHBORS. TITO PROMISED THAT YUGOSLAVIA WOULD CONTINUE TO WORK FOR IMPROVED RELATIONS AND COOPERATION WITH ITS NEIGHBORS IN ACCORDANCE WITH PRINCIPLES OF YUGOSLAV POLICY OF COOPERATION AND FRIENDSHIP WITH ALL COUNTRIES THAT ACCEPT AND RESPECT THOSE PRINCIPLES.

12. THE ECONOMY. TURNING HIS ATTENTION TO THE ECONOMIC SITUATION, TITO RECITED RECENTLY PUBLISHED STATISTICS REFLECTING STEADY GROWTH IN YUGOSLAV LIVING STANDARDS AND OVERALL INDUSTRIAL PRODUCTION BUT WARNED THAT SUCH PROGRESS SHOULD NOT DIVERT ATTENTION FROM SERIOUS PROBLEMS WHICH CONTINUE TO RETARD COUNTRY'S DEVELOPMENT PROGRAM. PARTICULAR DIFFICULTIES INDICATED ARE:

-- LACKLUSTER LABOR PRODUCTIVITY

-- POOR COORDINATION IN INVESTMENT PLANNING, RESULTING IN OVERCAPACITY AND RISING DEBT BURDEN

--RELUCTANCE OF ENTERPRISE TO IDENTIFY AND REMOVE INCOMPETENT LIMITED OFFICIAL USE

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MANAGERS

--PRICE INCREASES WHICH ENDANGER EXPORT COMPETITIVENESS AND
STIMULATE DOMESTIC INFLATION

--INCREASED FOREIGN INDEBTEDNESS WHICH, IF INSUFFICIENTLY
MANAGED, WOULD TURN YUGOSLAVIA'S CREDIT WORTHINESS INTO
POLITICAL ISSUE

--WIDENING TRADE GAP WITH WEST, PARTICULARLY THE EEC, DESPITE
PROMISES OF "SOME COUNTRIES" TO IMPORT MORE FROM YUGOSLAVIA

--NECESSITY OF ACCELERATING PROGRAM OF CONSULTATIONS AMONG
SELF-MANAGED UNITS OF ECONOMY

--LACK OF INTEREST IN DEVELOPING CRAFTS INDUSTRY (MALA
PRIVREDA) AT COMMUNITY LEVEL TO EXPAND QUALITY AND DISTRIBUTION
OF SIMPLE MAINTENANCE SERVICES.
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